

Message Text

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SUBJ: US BANKING ACTIVITIES IN COLOMBIA

1. INTRODUCTION AND SUMMARY: THE PURPOSE OF THIS MESSAGE IS TO OUTLINE THE RESULTS OF A SURVEY CONDUCTED BY THE FINAN ATTACHE TO DETERMINE THE EXTENT OF US INVOLVEMENT IN THE COLOMBIAN FINAN SECTOR. THE RESULTS SUGGEST THAT MORE US CAPITAL IS CONCENTRATED IN THE FINAN SECTOR THAN ANY OTHER SECTOR OF THE COLOMBIAN ECONOMY. AS OF JUNE 30/74 DIRECT LOANS BY THE NINE US BANKS SURVEYED TOTALLED \$820 MILLION. THERE ARE AT LEAST 16 US BANKS WITH FULL OR PART TIME RESIDENT REPS IN COLOMBIA. IN ADDITION TO TWO WHOLLY OWNED US BRANCH BANKS, THERE ARE SEVEN OTHER COMMERCIAL BANKS WHICH ARE PARTLY US OWNED. IDENTIFIED US CAPITAL ACCOUNTS FOR 17 PERCENT OF THE PAID IN CAPITAL OF ALL THE COMMERCIAL BANKS AND 16 PERCENT OF THE FINANCE CORPS IN COLOMBIA.

2. THIS RELATIVELY SIGNIFICANT US PARTICIPATION IN THE COLOMBIAN FINAN SECTOR HAS DEVELOPED OVER MANY YEARS OF GOOD RELATIONS BETWEEN US AND COLOMBIAN BANKERS. THE EXTENT OF US INVOLVEMENT IS NOT WELL KNOWN OUTSIDE COLOMBIAN BANKING CHANNELS. MOST OF THE DIRECT LOANS REPRESENT TRADE CREDITS WITH A MATURITY OF LESS THAN ONE YEAR AND THEREFORE ARE MORE LIQUID THAN MOST OTHER US

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VENTURES HERE. US BANKERS BELIEVE THAT THEIR ACTIVITIES WILL

CONTINUE TO PROSPER PRIMARILY BECAUSE COLOMBIA DOES NOT HAVE SUFFICIENT FINAN RESOURCES TO MEET TRADE AND OVER ALL ECONOMIC DEVELOPMENT REQUIREMENTS FROM DOMESTIC SOURCES. HOWEVER, THE COLOMBIAN GOVT IS NOT LIKELY TO APPROVE REQUESTS FROM THE US TO ESTABLISH NEW COMMERCIAL BANKS WITHOUT DIRECT PARTICIPATION BY COLOMBIANS.

3. RESIDENT REP ACTIVITIES: THERE ARE ABOUT FORTY FULL AND PART TIME RESIDENT REPS OF FORN BANKS IN COLOMBIA. ABOUT HALF THE TOTAL ARE REPS OF US BANKS. THEY ACT AS INTERMEDIARIES FOR THE HOME OFFICE AND IN EFFECT FACILITATE DIRECT CONTACT BETWEEN COLOMBIANS AND THE BANKS THEY REPRESENT. THESE REPS DO NOT MAKE LOANS IN THE LEGAL SENSE, BUT THEY ARE VERY INFLUENTIAL IN DETERMINING WHERE THE HOME OFFICE MAKES LOANS. IN ADDITION, RESIDENT REPS DO LOOK AFTER THE ONGOING LOAN PROGRAMS OF THEIR BANKS. THE GOC RECENTLY HAS REQUIRED THAT ALL RESIDENT REP REGISTER WITH THE BANKING SUPERINTENDENT. US RESIDENT REPS IN GENERAL DO NOT VIEW THIS GOC ACTION AS A THREAT TO THEIR ABILITY TO OPERATE IN COLOMBIA.

4. US RESIDENT REPS OPERATE IN COLOMBIA IN A LOW KEY WAY. FIVE US RESIDENT REPS EACH "OVER-SEE" PORTFOLIOS THAT AVERAGE BETWEEN 115 AND 170 MILLION IN OUTSTANDING LOANS. THEIR OFFICES IN GENERAL, ARE INCONSPICUOUSLY LOCATED IN LARGE COMMERCIAL BUILDINGS. AS OF JUNE 30/74 TOTAL CREDIT LINES OF THE NINE SURVEYED RESIDENT REP BANKS WAS 1.1 BILLION DOLLARS. AT THE SAME TIME, OUTSTANDING LOANS TOTALED \$820 MILLION. MANY OF THE LOANS ARE ROLLED-OVER ON A 90 TO 180 DAY BASIS. COMPETITION FOR THESE TRADE CREDITS IS KEEN AND MOST BANKS WORK ON A HIGH VOLUME, LOW PROFIT MARGIN. IT IS ESTIMATED THAT THE REMAINING US RESIDENT REP BANKS ACCOUNT FOR AN ADDITIONAL \$50 MILLION IN LOANS. ABOUT 40 PERCENT OF TOTAL LOANS OUTSTANDING OF THE SURVEYED RESIDENT REPS WERE TO GOVT OR QUASI-GOVT AGENCIES INCLUDING DEVELOPMENT BANKS AND THE COFFEE AND CATTLE FEDERATIONS. THE LARGEST GROUP OF PRIVATE BORROWERS WERE COLOMBIAN COMMERCIAL BANKS.

5. BANKS AND FINAN CORPS: THERE ARE TWENTY PRIVATELY OWNED COMMERCIAL BANKS IN COLOMBIA. FIVE ARE COMPLETELY FORN OWNED AND THEIR GOC HAS RECENTLY APPROVED APPLICATIONS FOR TWO MORE. TWO OF THE COMMERCIAL BANKS ARE WHOLLY US OWNED AND US CAPITAL HAS BEEN INVESTED IN AT LEAST SEVEN OTHERS. THE LARGER OF THE LIMITED OFFICIAL USE

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TWO US OWNED BANKS HAS 28 BRANCHES IN THE ELEVEN PRINCIPAL CITIES IN COLOMBIA. ON THE BASIS OF PAID IN CAPITAL, FOREIGNERS OWN 28 PERCENT OF ALL COMMERCIAL BANKS AND US OWNERSHIP ACCOUNTS FOR 60 PERCENT OF TOTAL FORN PARTICIPATION. A SIMILAR PROFILE OF US INVOLVEMENT CAN BE SEEN IN THE FINAN CORPS. OF THE TWELVE FINAN CORPS, US CAPITAL HAS BEEN INVESTED IN SIX AND ABOUT 16 PERCENT OF ALL PAID IN CAPITAL HAS BEEN TRACED TO US SOURCES.

6. OTHER ACTIVITIES: WHILE A DETAILED SURVEY WAS NOT MADE OF INSURANCE COMPANIES AND OTHER FINAN ACTIVITIES, EVIDENCE SUGGESTS THAT US CAPITAL IS BEGINNING TO VENTURE OUTSIDE THE TRADITIONAL BANKING CHANNELS. WE KNOW, FOR EXAMPLE, THAT ONE US CONCERN OWNS 100 PERCENT INTEREST IN A CONSUMER FINANCING COMPANY, A LEASING CO AND AN EXPORT CO. WHILE US CAPITAL HAS MOVED CAUTIOUSLY IN THESE AREAS, WE ANTICIPATE FURTHER INVESTMENTS. VAKY

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